

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 USIA-06 L-02 H-02 NEA-09 /108 W

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R 090904Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8580

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION GENEVA

USDEL MTN GENEVA

C O N F I D E N T I A L BONN 03931

PASS TREASURY FOR PELIKAN AND EXIMBANK FOR GIANTURCO

E.O. 11652: GDS

TAGS: EFIN, EEC, GW

SUBJECT: GENTLEMEN'S AGREEMENT.

1. IN DISCUSSION TODAY WITH ECONOMICS MINISTRY OFFICIAL
(GEBERTH) IT WAS EVIDENT THAT THE FRG VIEWS THE RECENT
UK EXPORT INSURANCE SCHEME WITH A COMBINATION OF REGRET,
PIQUE AND SYMPATHY. GEBERTH WAS APPREHENSIVE THAT THE
BRITISH PLAN WOULD NOW BE FOLLOWED, WITH SOME JUSTIFI-
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CATION, BY ITALIAN AND JAPANESE ME-TOOISM AND IN

SUBSEQUENT NEGOTIATIONS ON THE GENTLEMEN'S AGREEMENT WITH REQUESTS FOR INCLUSION OF SPECIAL EXEMPTIONS TO PERMIT A VARIETY OF INFLATION PROTECTION SCHEMES. HE SAW THE UK PLAN AS A REAL HANDICAP TO A QUICK AND SUCCESSFUL AGREEMENT ON EXPORT CREDIT.

2. ACCORDING TO THE ECONMIN, GERMAN FIRMS, PARTICULARLY IN THE MIDDLE EAST, HAVE BEEN NOTABLY SUCCESSFUL IN NEGOTIATING COST ESCALATION REVISIONS TO THEIR CONTRACTS AND, IN SOME CASES OF NEW CONTRACTS, HAD NEGOTIATED OPEN COST-ESCALATION CLAUSES. THE FIRMS HAD INITIATED DISCUSSIONS ON THEIR CONTRACTS WITH THE HOPE THAT SUCH OPEN CLAUSES WOULD BECOME AN ACCEPTED PRACTICE BUT NOW FREELY ADMIT TO THE FRG THAT THIS POSSIBILITY HAS BEEN SEVERELY UNDERMINED BY THE BRITISH INSURANCE PLAN.

3. THE FRG HAS EXPRESSED ITS REGRET TO THE BRITISH BUT, ACCORDING TO GEBERTH, IN AN INFORMAL, TEMPERED MANNER AND WITH DUE REGARD TO UK SENSITIVITIES VIS-A-VIS CONTINUED EC MEMBERSHIP. THIS WILL BE THE EXTENT OF GERMAN REPRESENTATIONS ON THE ISSUE. GEBERTH DID SAY THAT HE HOPED THE U.S. WOULD STRONGLY EXPRESS ITS THOUGHTS IN OPEN FORUM AND, TO THE EXTENT POSSIBLE, THE FRG WOULD VOICE CONCURRENCE.

4. GEBERTH SAID THAT HE WAS AWARE THAT THE BRITISH HAD MADE REPEATED, VALIANT EFFORTS TO CONVINCE THE FRENCH TO CHANGE THEIR SCHEME AND, FAILING THIS, NO DOUBT FELT OBLIGED TO PRESENT THEIR OWN PLAN, POOR IN TIMING AS IT MAY HAVE BEEN. HE SAID THERE WAS SOME OFFICIAL FRG IRRITATION THAT THE BRITISH HADN'T CONSULTED WITH FELLOW EC PARTNERS BUT, AT LEAST WITHIN THE ECONMIN, A CERTAIN AMOUNT OF UNDERSTANDING AND SYMPATHY FOR THE BRITISH. HILLENBRAND

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